



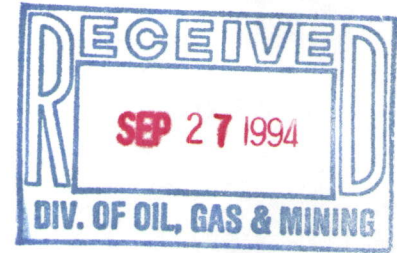
Michael O. Leavitt
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School and Institutional
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September 23, 1994

D. Wayne Hedberg, Permit Supervisor
Division of Oil, Gas & Mining
Building Mail

RE: Bald Knoll Mine, M/025/012
ML 46614--Clay

Dear Mr. Hedberg:

I am writing in response to the September 14, 1994, letter which DOGM received from Mr. Jim R. Scarth regarding the road through Section 16, T40S, R5W, SLBM, and the Bald Knoll clay mine.

1. The state of Utah owns the minerals in Section 16. Shale placed on the road prior to Mr. Edwards' Bald Knoll mine project was taken from Section 16 in trespass and is the property of the state. This office has no objection to Mr. Edwards blading off the state owned shale which was on the road.
2. I understand that Trevor Leach was in fact responsible for pushing up the piles of brush by the sides of the mine access road when he originally constructed the road. If Mr. Leach would like to remove the debris which he created I have no objection so long as the work does not interfere with the use of the road by the March Corp.
3. I last visited the site in May (not June), 1994. The culvert in question was buried several months earlier when March Corp. was improving the mine access road. In my presence, Mr. Edwards offered to pay Trevor Leach for the buried culvert. It is not reasonable to dig up the road simply to recover a useless culvert for which the March Corp. is prepared to pay.
4. The road running past the mine site from the Ranch is public access and shows up as such on the April 3, 1877 Public land survey, long before the Leach family acquired any interest in the property. The fact that the Leach family may have maintained a public road for several years does not constitute their ownership of the road.

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5. I believe that the March Corporation has been unable to install the three culverts in question because of the extensive harassment it is receiving from the surface owner. As you are aware, the March Corp. anticipates that the completed mine haul road will be only 15 feet wide and will be covered with shale in the soft spots. I understand that the Leach family itself tore down the original gate where the road enters Section 16 and built a new gate in its place. The March Corp. shuts the gate when it uses the road and has even offered to build a cattle guard at that location. Since the road is a public road it is also used by hunters or others who may be leaving the gate open.

6. I believe that the March Corp. has been unable to construct the cattle guard because of the extensive harassment it is receiving from the surface owner.

7. The large ditch which was constructed on the road to the Fisher's Spring property is necessary for adequate drainage control and does not inhibit any access or use of the road.

8. I have no knowledge of the alleged cut pipeline. I know the March Corp. to be extremely responsible, however, and believe it will gladly pay any damages for which it is responsible.

9. Mr. Edwards sent a letter stating that he cannot be responsible for confining livestock from the roadway. Mr. Edwards also told Mr. Leach in my presence that the March Corp. will pay damages for any livestock which may accidentally be hit by mine haul trucks.

10. The mineral resources in Section 16 are owned by the state of Utah. Any agreement involving an assignment of rights or royalties under a state mineral lease is invalid until approved by this office. Clay is being mined in Section 16 by the March Corp. under state mineral lease ML 46614. The state has not approved the payment of any overriding royalty involving this lease.

11. The shale which has spilled into a cattle guard is the result of routine grading of the road. The amount of material is not significant and its removal is simply maintenance which may reasonably be expected of the surface owner.

12. The road has been temporarily widened during the construction of improvements to the road base, but damage to grazing along side of the road is truly insignificant and is temporary in nature.

13. There has been no significant alteration of the natural drainage.

14. The state has not authorized the payment of any overriding royalty under mineral lease ML 46614. Mr. Leach is not entitled to any royalty payments under authority of the lease.

15. Holes and pits are a natural consequent of ongoing surface mining operations and are authorized under the mining permit. If Mr. Scarth is talking of a 20 foot hole somewhere outside of the mine permit area then it was probably dug by someone other than the March Corp.

16. Disturbance of livestock and wildlife is a natural consequent of ongoing mining operations. The amount and nature of animal life disturbance associated with the Bald Knoll Mine is insignificant and does not warrant any special mitigative measures.

17. The March Corp. is stockpiling topsoil for use in reclamation of the mine site. The only material being removed from the site is clay and shale. Some of the material may appear to be dirt but is actually a clay mineral commodity.

18. A large amount of debris including dead trees and brush was left near the mine site by Utah International Inc. who trespassed the mineral estate in 1982. I requested Mr. Edwards to dispose of this material by using it as fill for the mine pits. If Mr. Leach would like to salvage the debris I suspect that no one will object if he wants to haul it away.

19. In 17 years of administering state mineral leases I have never seen a lessee demonstrating more responsibility for its actions than the March Corp. I believe that the March Corp. has made every reasonable effort to placate the surface owner.

20. The road from Section 21 is a public access and shows up as such on the Public land survey of April 3, 1877. I understand that until the recent controversy, at least, the road was claimed by Kane County on its Class B road system.

The Leach family purchased the surface rights to Section 16 in 1958 with a specific reservation to the state or persons authorized by it to prospect for, mine and remove the mineral resources. The state has authorized the March Corp. to prospect for, mine and remove any building stone/limestone and clay mineral resources contained in the lands. Prohibitive interference of the mineral reservation by the surface owner may invalidate the 1958 sales agreement and may be cause for the surface to revert to the state.

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The State's mineral lessee in Section 16, the March Corp., has incessantly been harassed by the surface owner. The letter from Mr. Scarth is only the latest in a series of attempts to shut down the mine through frivolous charges or complaints. The obvious motivation behind this campaign is a conflict over the amount of royalty being paid to the surface owner by the March Corp. Personally, I do not believe that the surface owner should expect to be enriched from a mineral resource which he does not even own. The March Corp. has made every effort to comply with all valid state laws and regulations governing its mining activity in Section 16. I am certain that you will find Mr. Andrew Edwards willing to cooperate in any reasonable manner to maintain his valid mining permit for the Bald Knoll Mine.

Please give your careful consideration to my responses and ensure that the March Corp. is allowed to continue its mining operations in accordance with state law.

Sincerely,

A handwritten signature in cursive script, appearing to read "John T. Blake".

JOHN T. BLAKE
MINERAL RESOURCES SPECIALIST

JTB/tdw

cc: March Corporation